

SECOND REGULAR SESSION
SENATE COMMITTEE SUBSTITUTE FOR

SENATE BILL NO. 826

90TH GENERAL ASSEMBLY

Reported from the Committee on Commerce and Environment, March 2, 2000, with recommendation that the Senate Committee Substitute do pass.

TERRY L. SPIELER, Secretary.

3480S.06C

AN ACT

To repeal section 407.820, RSMo 1994, and sections 407.815, 407.816, 407.822 and 407.825, RSMo Supp. 1999, relating to motor vehicle franchise practices, and to enact in lieu thereof seven new sections relating to the same subject.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Section 407.820, RSMo 1994, and sections 407.815, 407.816, 407.822 and 407.825, RSMo Supp. 1999, are repealed and seven new sections enacted in lieu thereof, to be known as sections 407.815, 407.816, 407.817, 407.820, 407.822, 407.825 and 407.923, to read as follows:

407.815. As used in sections 407.810 to 407.835, unless the context otherwise requires, the following terms mean:

(1) "Administrative hearing commission", the body established in chapter 621, RSMo, to conduct administrative hearings;

(2) "All-terrain vehicle", any motorized vehicle manufactured and used exclusively for off-highway use which is fifty inches or less in width, with an unladen dry weight of six hundred pounds or less, traveling on three, four or more low pressure tires, with a seat designed to be straddled by the operator, and handlebars for steering control;

(3) "Coerce", to force a person to act in a given manner or to compel by pressure or threat but shall not be construed to include the following:

(a) Good faith recommendations, exposition, argument, persuasion or attempts at persuasion;

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

(b) Notice given in good faith to any franchisee of such franchisee's violation of terms or provisions of such franchise or contractual agreement;

(c) Any other conduct set forth in section 407.830 as a defense to an action brought pursuant to sections 407.810 to 407.835; or

(d) Any other conduct set forth in sections 407.810 to 407.835 that is permitted of the franchisor or is expressly excluded from coercion or a violation of sections 407.810 to 407.835;

(4) "Franchise", a written arrangement or contract for a definite or indefinite period, in which a person grants to another person a license to use, or the right to grant to others a license to use, a trade name, trademark, service mark, or related characteristics, in which there is a community of interest in the marketing of goods or services, or both, at wholesale or retail, by agreement, lease or otherwise, and in which the operation of the franchisee's business with respect to such franchise is substantially reliant on the franchisor for the continued supply of franchised new motor vehicles, parts and accessories for sale at wholesale or retail;

(5) "Franchisee", a person to whom a franchise is granted **and who buys, sells, leases, exchanges or offers or attempts to negotiate a sale or exchange or lease of an interest in, or who is engaged in the business of selling or leasing new motor vehicles or used motor vehicles taken in trade on new motor vehicles or used motor vehicles purchased for resale and who receives reimbursement for warranty labor and parts;**

(6) "Franchisor", a person who grants a franchise to another person;

(7) "Motor vehicle", any motor-driven vehicle required to be registered pursuant to the provisions of chapter 301, RSMo, except that, motorcycles and all-terrain vehicles as defined in section 301.010, RSMo, shall not be included;

(8) "New", when referring to motor vehicles or parts, means those motor vehicles or parts which have not been held except as inventory, as that term is defined in subdivision (4) of section 400.9-109, RSMo;

(9) "Person", a sole proprietor, partnership, corporation, or any other form of business organization[.];

(10) "Product", a new motor vehicle, used motor vehicle, new motor vehicle parts, used motor vehicle parts, motor vehicle financing, credit insurance, service contracts and/or motor vehicle insurance;

(11) "Relevant market area" shall be defined as the following:

(a) If the population in the county in which the proposed new or relocated dealership is to be located is three hundred thousand or more, the relevant market area is the geographic area within a radius of twelve miles around the proposed site;

(b) If the population in the county in which the proposed new or relocated dealership is to be located is less than three hundred thousand, the relevant market area is the geographic area within a radius of twenty miles around the proposed site or

the area designated by the franchisor as the area of responsibility, or such similarly designated area, whichever is larger;

(c) Population shall be determined using the annual population estimates prepared by the United States Bureau of Census;

(12) "Sell" or "sale", to sell or lease or provide or transact any product in any way;

(13) "Service", motor vehicle warranty and nonwarranty repairs including both parts and labor.

407.816. As used in subdivision [(5)] (7) of section 407.815, the term "motor [driven] vehicle" shall not include "trailer" as such term is defined in subdivision (56) of section 301.010, RSMo.

407.817. 1. Notwithstanding the terms of a franchise and notwithstanding the terms of a waiver, if a franchisor intends or proposes to enter into a franchise to establish an additional new motor vehicle dealer or to relocate an existing new motor vehicle dealer within or into a relevant market area in which the same line-make of motor vehicle is then represented, the franchisor shall provide at least sixty days advance written notice to each new motor vehicle dealer of the same line-make in the relevant market area, of the franchisor's intention to establish an additional new motor vehicle dealer or to relocate an existing new motor vehicle dealer within or into the relevant market area. The notice shall be sent by certified mail to each such party and shall include the following information:

(1) The specific location at which the additional or relocated motor vehicle dealer will be established;

(2) The date on which the additional or relocated motor vehicle dealer intends to commence business at the proposed location;

(3) The identity of all new motor vehicle dealers who are franchised to sell the same line-make vehicles as the proposed dealer and who have licensed locations within the relevant market area;

(4) The names and addresses of the person intended to be franchised as the proposed additional or relocated new motor vehicle dealership, the principal investors in the proposed additional or relocated new motor vehicle dealership, and the proposed dealer operator of the proposed additional or relocated new motor vehicle dealership; and

(5) The specific grounds or reasons for the proposed establishment of an additional new motor vehicle dealer or relocation of an existing dealer.

2. Within thirty days after receipt of the notice, or within thirty days after the end of an appeal procedure provided by the franchisor, whichever is greater, a new motor vehicle dealer entitled to notice may file a petition with the administrative

hearing commission, pursuant to section 407.822, protesting the proposed establishment or relocation. The petition shall contain a short statement setting forth the reasons for objection to the proposed establishment or relocation. The franchisor shall not establish or relocate a new motor vehicle dealer until the administrative hearing commission has held a hearing and has determined that there is good cause for permitting the proposed establishment or relocation. When more than one protest is filed against the establishment or relocation of the same dealer, the administrative hearing commission shall consolidate the hearings to expedite disposition of the matter.

3. In determining whether good cause exists for permitting the proposed establishment or relocation of a new motor vehicle dealer of the same line-make, the administrative hearing commission shall take into consideration the existing circumstances, including, but not limited to:

(1) The extent, nature, and permanency of the investment, liabilities or obligations of both the existing new motor vehicle dealers of the same line-make in the relevant market area and the proposed additional or relocating new motor vehicle dealer;

(2) The growth or decline in population and new motor vehicle registrations during the past five years in the relevant market area;

(3) The effect on the existing new motor vehicle dealers in the relevant market area, including any adverse financial impact of the proposed additional or relocating new motor vehicle dealer;

(4) The reasonably expected or anticipated vehicle market for the relevant market area, considering demographic factors such as age, income, education, size class preference, retail lease transactions, or other factors affecting sales to consumers in the relevant market area;

(5) Whether it is injurious or beneficial to the public welfare for an additional new motor vehicle dealer to be established or relocated;

(6) Whether the new motor vehicle dealers of the same line-make in the relevant market area are providing adequate competition and convenient customer care for the motor vehicles of the same line-make in the relevant market area, considering the adequacy of motor vehicle sales and service facilities, equipment, supply of vehicle parts, and qualified service personnel;

(7) Whether the franchisor is motivated principally by good faith to establish an additional new motor vehicle dealer or relocate an existing dealer, and not by noneconomic considerations;

(8) Whether the franchisor has denied its existing new motor vehicle dealers of the same line-make the opportunity for reasonable growth, market expansion, or

relocation;

(9) Whether the protesting dealer or dealers are in substantial compliance with their dealer agreements or franchises; and

(10) Whether the franchisor has complied with the notice requirements set forth in this subsection.

4. In considering the factors set forth in this section, the administrative hearing commission shall give the factors equal weight, and in making a determination as to whether good cause exists for permitting the proposed establishment or relocation of a new motor vehicle dealer of the same line-make, the administrative hearing commission must find that at least seven of the factors set forth in this section weigh in favor of the franchisor and in favor of the proposed establishment or relocation of a new motor vehicle dealer.

5. The franchisor has the burden of proof to establish that good cause exists for permitting the proposed establishment or relocation.

407.820. Any person who is engaged or engages directly or indirectly in purposeful contacts within the state of Missouri in connection with the offering, advertising, purchasing, selling, or contracting to purchase or to sell new motor vehicles, or who, being a motor vehicle franchisor, is transacting or transacts any business with a motor vehicle franchisee who maintains a place of business within the state and with whom he has a franchise, shall be subject to the jurisdiction of the courts **and administrative agencies** of the state of Missouri, upon service of process in accordance with the provisions of section 506.510, RSMo, irrespective of whether such person is a manufacturer, importer, distributor or dealer in new motor vehicles.

407.822. 1. Any party seeking relief pursuant to the provisions of sections 407.810 to 407.835 may file an application for a hearing with the administrative hearing commission within the time periods specified in this section. The application for a hearing shall comply with the requirements for a request for agency action set forth in chapter 536, RSMo. Simultaneously, with the filing of the application for a hearing with the administrative hearing commission, the applicant shall send by certified mail, return receipt requested, a copy of the application to the party or parties against whom relief is sought. **[Within ten days of] Upon** receiving a timely application for a hearing, the administrative hearing commission shall enter an order fixing a date, time and place for a hearing on the record. **[Such hearing shall be within forty-five days of the date of the order but the administrative hearing commission may continue the hearing date up to forty-five additional days by agreement of the parties or upon a finding of good cause.]** The administrative hearing commission shall send by certified mail, return receipt requested, a copy of the order to the party seeking relief and to the party or parties against whom relief is sought. The order shall also state that the party against whom relief is sought shall not proceed with the initiation of its activity or activities until the administrative hearing commission issues its final decision or order, **and the**

party against whom relief is sought shall, within thirty days of such order, file its answer or other responsive pleading directed to each claim for relief set forth in the application for hearing. Failure to answer or otherwise respond within such time frame may be deemed by the administrative hearing commission as an admission of the grounds for relief as set forth in the application for hearing.

2. Unless otherwise expressly provided in sections 407.810 to 407.835, the provisions of chapter 536, RSMo, shall govern hearings and prehearing procedures conducted pursuant to the authority of this section. **Any party may obtain discovery in the same manner, and under the same conditions and requirements, as is or may hereafter be provided for with respect to discovery in civil actions by rule of the supreme court of Missouri for use in the circuit courts, and the administrative hearing commission may enforce discovery by the same methods as provided by supreme court rule for use in civil cases.** The administrative hearing commission shall issue a final decision or order, in proceedings arising pursuant to the provisions of sections 407.810 to 407.835[, within sixty days from the conclusion of the hearing]. **In any proceeding initiated pursuant to sections 407.810 to 407.835 involving a matter requiring a franchisor to show good cause for any intended action being protested by a franchisee, the franchisor shall refrain from taking the protested action if, after hearing on the matter before the administrative hearing commission, the administrative hearing commission determines that good cause does not exist for the franchisor to take such action. The franchisee may, if necessary, seek enforcement of the decision of the administrative hearing commission pursuant to the provisions of section 407.835. Venue for such proceedings shall be in the circuit court of Cole County, Missouri. In determining any relief necessary for enforcement of the decision of the administrative hearing commission, the court shall defer to the commission's factual findings, and review shall be limited to a determination of whether the commission's decision was authorized by law and whether the commission abused its discretion.** Any final decisions **of the administrative hearing commission** shall be subject to review pursuant to a petition for review to be filed in the court of appeals in the district in which the hearing, or any part of the hearing, is held and by delivery of copies of the petition to each party of record, within thirty days after the mailing or delivery of the final decision and notice of the final decision in such a case. **Appeal of the administrative hearing commission's decision pursuant to this section shall not preclude any action authorized by section 407.835, brought in a court of competent jurisdiction, requesting an award of legal or equitable relief, provided that if such an action is brought solely for the purpose of enforcing a decision of the administrative hearing commission which is on appeal pursuant to this section, the court in which such action is pending may hold in abeyance its judgment pending issuance of a decision by the court of appeals.** Review pursuant to this section shall be

exclusive and decisions of the administrative hearing commission reviewable pursuant to this section shall not be reviewable in any other proceeding, and no other official or court shall have power to review any such decision by an action in the nature of mandamus or otherwise, except pursuant to the provisions of this section. The party seeking review shall be responsible for the filing of the transcript and record of all proceedings before the administrative hearing commission with the appropriate court of appeals.

3. Any franchisee receiving a notice from a franchisor pursuant to the provisions of sections 407.810 to 407.835, or any franchisee adversely affected by a franchisor's acts or proposed acts described in the provisions of sections 407.810 to 407.835, shall be entitled to file an application for a hearing before the administrative hearing commission for a determination as to whether the franchisor has good cause for its acts or proposed acts.

4. Not less than sixty days before the effective date of the initiation of any enumerated act pursuant to subdivisions (5), (6), (7) and (14) of subsection 1 of section 407.825, a franchisor shall give written notice to the affected franchisee or franchisees, by certified mail, return receipt requested, except as follows:

(1) Upon the initiation of an act pursuant to subdivision (5) of subsection 1 of section 407.825, such notice shall be given not less than fifteen days before the effective date of such act only if the grounds for the notice include the following:

(a) Transfer of any ownership or interest in the franchised dealership without the consent of the motor vehicle franchisor;

(b) Material misrepresentation by the motor vehicle franchisee in applying for the franchise;

(c) Insolvency of the motor vehicle franchisee or the filing of any petition by or against the motor vehicle franchisee under any bankruptcy or receivership law;

(d) Any unfair business practice by the motor vehicle franchisee after the motor vehicle franchisor has issued a written warning to the motor vehicle franchisee to desist from such practice;

(e) Conviction of the motor vehicle franchisee of a crime which is a felony;

(f) Failure of the motor vehicle franchisee to conduct customary sales and service operations during customary business hours for at least seven consecutive business days unless such closing is due to an act of God, strike or labor difficulty or other cause over which the motor vehicle franchisee has no control; or

(g) Revocation of the motor vehicle franchisee's license;

(2) Upon initiation of an act pursuant to subdivision (7) of subsection 1 of section 407.825, such notice shall be given within sixty days of the franchisor's receipt of a written proposal to consummate such sale or transfer and the receipt of all necessary information and documents generally used by the franchisor to conduct its review. **The franchisor shall acknowledge in writing to the applicant the receipt of the information and documents and if the**

franchisor requires additional information or documents to complete its review, the franchisor shall notify the applicant within fifteen days of the receipt of the information and documents. If the franchisor fails to request additional information and documents from the applicant within fifteen days after receipt of the initial forms, the sixty-day time period for approval shall be deemed to run from the initial receipt date. Otherwise, the sixty-day time period for approval shall run from receipt of the supplemental requested information. In no event shall the total time period for approval exceed seventy-five days from the date of the receipt of the initial information and documents. The franchisor's notice of disapproval shall also specify the reasonable standard which the franchisor contends is not satisfied and the reason the franchisor contends such standard is not satisfied. Failure on the part of the franchisor to provide such notice shall be conclusively deemed an approval by the franchisor of the proposed sale or transfer to the proposed transferee. A franchisee's application for a hearing shall be filed with the administrative hearing commission within twenty days from receipt of such franchisor's notice;

(3) Pursuant to paragraphs (a) and (b) of subdivision (14) of subsection 1 of section 407.825, such notice shall be given within sixty days of the franchisor's receipt of a deceased or incapacitated franchisee's designated family member's intention to succeed to the franchise or franchises or of the franchisor's receipt of the personal and financial data of the designated family member, whichever is later.

5. A franchisor's notice to a franchisee or franchisees pursuant to subdivisions (5), (6), (7) and (14) of subsection 1 of section 407.825 shall contain a statement of the particular grounds supporting the intended action or activity which shall include any reasonable standards which were not satisfied. The notice shall also contain at a minimum, on the first page thereof, a conspicuous statement which reads as follows: "NOTICE TO FRANCHISEE: YOU MAY BE ENTITLED TO FILE A PROTEST WITH THE MISSOURI ADMINISTRATIVE HEARING COMMISSION IN JEFFERSON CITY, MISSOURI, AND HAVE A HEARING IN WHICH YOU MAY PROTEST THE CONTENTS OF THIS NOTICE. ANY ACTION MUST BE FILED WITHIN TWENTY DAYS FROM RECEIPT OF THIS NOTICE."

6. When more than one application for a hearing is filed with the administrative hearing commission, the administrative hearing commission may consolidate the applications into one proceeding to expedite the disposition of all relevant issues.

7. In all proceedings before the administrative hearing commission pursuant to this section, section 407.825 and section 621.053, RSMo, where the franchisor is required to give notice pursuant to subsection 4 of this section, the franchisor shall have the burden of proving by a preponderance of the evidence that good cause exists for its actions. In all other actions, the franchisee shall have the burden of proof.

407.825. 1. Notwithstanding the terms of any franchise agreement, the performance,

whether by act or omission, by a motor vehicle franchisor of any or all of the following acts enumerated in this subsection are hereby defined as unlawful practices, the remedies for which are set forth in section 407.835:

(1) To engage in any conduct which is capricious, in bad faith, or unconscionable and which causes damage to a motor vehicle franchisee or to the public; provided, that good faith conduct engaged in by motor vehicle franchisors as sellers of new motor vehicles or parts or as holders of security interest therein, in pursuit of rights or remedies accorded to sellers of goods or to holders of security interests pursuant to the provisions of chapter 400, RSMo, uniform commercial code, shall not constitute unfair practices pursuant to sections 407.810 to 407.835;

(2) To coerce any motor vehicle franchisee to accept delivery of any new motor vehicle or vehicles, equipment, parts or accessories therefor, or any other commodity or commodities which such motor vehicle franchisee has not ordered after such motor vehicle franchisee has rejected such commodity or commodities. It shall not be deemed a violation of this section for a motor vehicle franchisor to require a motor vehicle franchisee to have an inventory of parts, tools, and equipment reasonably necessary to service the motor vehicles sold by a motor vehicle franchisor; or new motor vehicles reasonably necessary to meet the demands of dealers or the public or to display to the public the full line of a motor vehicle franchisor's product line;

(3) To unreasonably refuse to deliver in reasonable quantities and within a reasonable time after receipt of orders for new motor vehicles, such motor vehicles as are so ordered and as are covered by such franchise and as are specifically publicly advertised by such motor vehicle franchisor to be available for immediate delivery; provided, however, the failure to deliver any motor vehicle shall not be considered a violation of sections 407.810 to 407.835 if such failure is due to an act of God, work stoppage, or delay due to a strike or labor difficulty, shortage of products or materials, freight delays, embargo or other cause of which such motor vehicle franchisor shall have no control;

(4) To coerce any motor vehicle franchisee to enter into any agreement with such motor vehicle franchisor or to do any other act prejudicial to such motor vehicle franchisee, by threatening to cancel any franchise or any contractual agreement existing between such motor vehicle franchisor and motor vehicle franchisee; provided, however, that notice in good faith to any motor vehicle franchisee of such motor vehicle franchisee's violation of any provisions of such franchise or contractual agreement shall not constitute a violation of sections 407.810 to 407.835;

(5) To terminate, cancel or refuse to continue any franchise, directly or indirectly through the actions of the franchisor, unless such new motor vehicle franchisee substantially defaults in the performance of such franchisee's reasonable and lawful obligations under such franchisee's franchise, or such new motor vehicle franchisor discontinues the sale in the state of Missouri of such franchisor's products which are the subject of the franchise:

(a) Notwithstanding the terms of any franchise agreement to the contrary, good cause to

terminate, cancel or refuse to continue any franchise agreement shall not be established based upon the fact that the motor vehicle franchisee owns, has an investment in, participates in the management of or holds a franchise agreement for the sale or service of another make or line of new motor vehicles or the motor vehicle dealer has established another make or line of new motor vehicles or service in the same dealership facilities as those of the motor vehicle franchisor [prior to February 1, 1997, or such establishment is approved in writing by the franchisee and the franchisor]. If the franchise agreement requires the approval of the franchisor, such approval shall be requested in writing by the franchisee and the franchisor shall approve or disapprove such a request in writing within sixty days of receipt of such request. A request from a franchisee shall be deemed to have been approved if the franchisor fails to notify the franchisee, in writing, of its disapproval within sixty days after its receipt of the written request;

(b) In determining whether good cause exists, the administrative hearing commission shall take into consideration the existing circumstances, including, but not limited to, the following factors:

- a. The franchisee's sales in relation to sales in the market;
- b. The franchisee's investment and obligations;
- c. Injury to the public welfare;
- d. The adequacy of the franchisee's service facilities, equipment, parts and personnel in relation to those of other franchisees of the same line-make;
- e. Whether warranties are being honored by the franchisee;
- f. The parties' compliance with their franchise agreement;
- g. The desire of a franchisor for market penetration or a market study, if any, prepared by the franchisor or franchisee are two factors which may be considered;
- h. The harm to the franchisor;

(6) To prevent by contract or otherwise, any motor vehicle franchisee from changing the capital structure of the franchisee's franchise of such motor vehicle franchisee or the means by or through which the franchisee finances the operation of the franchisee's franchise, provided the motor vehicle franchisee at all times meets any reasonable capital standards agreed to between the motor vehicle franchisee and the motor vehicle franchisor and grants to the motor vehicle franchisor a purchase money security interest in the new motor vehicles, new parts and accessories purchased from the motor vehicle franchisor;

(7) (a) Prevent, by contract or otherwise, any sale or transfer of a franchisee's franchise or franchises or interest or management thereof; provided, if the franchise specifically permits the franchisor to approve or disapprove any such proposed sale or transfer, a franchisor shall only be allowed to disapprove a proposed sale or transfer if the interest being sold or transferred when added to any other interest owned by the transferee constitutes fifty percent or more of the ownership interest in the franchise and if the proposed transferee fails to satisfy any standards of

the franchisor which are in fact normally relied upon by the franchisor prior to its entering into a franchise, and which relate to the proposed management or ownership of the franchise operations or to the qualification, capitalization, integrity or character of the proposed transferee and which are reasonable. A franchisee may request, at any time, that the franchisor provide a copy of the standards which are normally relied upon by the franchisor to evaluate a proposed sale or transfer and a proposed transferee;

(b) The franchisee and the prospective franchisee shall cooperate fully with the franchisor in providing information relating to the prospective transferee's qualifications, capitalization, integrity and character;

(c) In the event of a proposed sale or transfer of a franchise, the franchisor shall be permitted to exercise a right of first refusal to acquire the franchisee's assets or ownership if:

a. The franchise agreement permits the franchisor to exercise a right of first refusal to acquire the franchisee's assets or ownership in the event of a proposed sale or transfer;

b. Such sale or transfer is conditioned upon the franchisor or franchisee entering a franchise agreement with the proposed transferee;

c. The exercise of the right of first refusal shall result in the franchisee and the franchisee's owners receiving the same or greater consideration and the same terms and conditions as contracted to receive in connection with the proposed sale or transfer;

d. The sale or transfer does not involve the sale or transfer to an immediate member or members of the family of one or more franchisee owners, defined as a spouse, child, grandchild, spouse of a child or grandchild, brother, sister or parent of the franchisee owner, or to the qualified manager, defined as an individual who has been employed by the franchisee for at least two years and who otherwise qualifies as a franchisee operator, or a partnership or corporation controlled by such persons; and

e. The franchisor agrees to pay the reasonable expenses, including attorney's fees which do not exceed the usual, customary and reasonable fees charged for similar work done for other clients, incurred by the proposed transferee prior to the franchisor's exercise of its right of first refusal in negotiating and implementing the contract for the proposed sale or transfer of the franchise or the franchisee's assets. Notwithstanding the foregoing, no payment of such expenses and attorney's fees shall be required if the franchisee has not submitted or caused to be submitted an accounting of those expenses within fourteen days of the franchisee's receipt of the franchisor's written request for such an accounting. Such accounting may be requested by a franchisor before exercising its right of first refusal;

(d) For determining whether good cause exists for the purposes of this subdivision, the administrative hearing commission shall take into consideration the existing circumstances, including, but not limited to, the following factors:

a. Whether the franchise agreement specifically permits the franchisor to approve or

disapprove any proposed sale or transfer;

b. Whether the interest to be sold or transferred when added to any other interest owned by the proposed transferee constitutes fifty percent or more of the ownership interest in the franchise;

c. Whether the proposed transferee fails to satisfy any standards of the franchisor which are in fact normally relied upon by the franchisor prior to its entering into a franchise, and which related to the proposed management or ownership of the franchise operations or to the qualification, capitalization, integrity or character of the proposed transferee which are reasonable;

d. Injury to the public welfare;

e. The harm to the franchisor;

(8) To prevent by contract or otherwise any motor vehicle franchisee from changing the executive management of the motor vehicle franchisee's business, except that any attempt by a motor vehicle franchisor to demonstrate by giving reasons that such change in executive management will be detrimental to the distribution of the motor vehicle franchisor's motor vehicles shall not constitute a violation of this subdivision;

(9) To impose unreasonable standards of performance upon a motor vehicle franchisee;

(10) To require a motor vehicle franchisee at the time of entering into a franchise arrangement to assent to a release, assignment, novation, waiver or estoppel which would relieve any person from liability imposed by sections 407.810 to 407.835;

(11) To prohibit directly or indirectly the right of free association among motor vehicle franchisees for any lawful purpose;

(12) To provide any term or condition in any lease or other agreement ancillary or collateral to a franchise, which term or condition directly or indirectly violates the provisions of sections 407.810 to 407.835;

(13) Upon any termination, cancellation or refusal to continue any franchise or any discontinuation of any line-make or parts or products related to such line-make by a franchisor, fail to pay reasonable compensation to a franchisee as follows:

(a) Any new, undamaged and unsold vehicle in the franchisee's inventory of either the current model year or purchased from the franchisor within one hundred twenty days prior to receipt of a notice of termination or nonrenewal, provided the vehicle has less than five hundred miles registered on the odometer, including mileage incurred in delivery from the franchisor or in transporting the vehicle between dealers for sale, at the dealer's net acquisition cost, plus any cost to the dealer for returning the vehicle inventory to the franchisor;

(b) The franchisee's cost of each new, unused, undamaged and unsold part or accessory if the part or accessory is in the current parts catalog, less applicable allowances, plus five percent of the catalog price of the part for the cost of packing and returning the part to the franchisor. In the case of sheet metal, a comparable substitute for the original package may be used. Reconditioned

or core parts shall be valued at their core value, the price listed in the current parts catalog or the amount paid for expedited return of core parts, whichever is higher. If the part or accessory was purchased by the franchisee from an outgoing authorized franchisee, the franchisor shall purchase the part for either the price in the current parts catalog or the franchisee's actual purchase price of the part, whichever is less. In the case of parts which no longer appear in the current parts catalog, the franchisor may purchase the part for either the price in the last version of the parts catalog in which the part appeared or the franchisee's actual purchase price of the part, whichever is less. The franchisee shall maintain accurate records regarding the actual purchase price of parts bought from an outgoing authorized franchisee. In the absence of such records, the franchisor is not required to purchase parts which are not in the current parts catalog;

(c) The depreciated value determined pursuant to generally accepted accounting principles of each undamaged sign owned by the franchisee which bears a trademark or trade name used or claimed by the franchisor if the sign was purchased from, or purchased at the request of, the franchisor;

(d) The fair market value of all special tools, data processing equipment and automotive service equipment owned by the franchisee which were recommended in writing and designated as special tools and equipment and purchased from, or purchased at the request of, the franchisor within three years of the termination of the franchise, if the tools and equipment are in usable and good condition, except for reasonable wear and tear;

(e) Except as provided in paragraph (a) of this subdivision, the cost of transporting, handling, packing, storing and loading of any property subject to repurchase pursuant to this section shall not exceed reasonable and customary charges; and

(f) The franchisor shall pay the franchisee the amounts specified in this subdivision within ninety days after the tender of the property subject to the franchisee providing evidence of good and clear title upon return of the property to the franchisor. The franchisor shall remove the property within one hundred eighty days after the tender of the property from the franchisee's property. Unless previous arrangements have been made and agreed upon, the franchisee is under no obligation to provide insurance for the property left after one hundred eighty days;

(14) To prevent or refuse to honor the succession to a franchise or franchises by any legal heir or devisee under the will of a franchisee, under any written instrument filed with the franchisor designating any person as the person's successor franchisee, or pursuant to the laws of descent and distribution of this state; provided:

(a) Any designated family member of a deceased or incapacitated franchisee shall become the succeeding franchisee of such deceased or incapacitated franchisee if such designated family member gives the franchisor written notice of such family member's intention to succeed to the franchise or franchises within one hundred twenty days after the death or incapacity of the franchisee, and agrees to be bound by all of the terms and conditions of the current franchise

agreement, and the designated family member meets the current reasonable criteria generally applied by the franchisor in qualifying franchisees. A franchisee may request, at any time, that the franchisor provide a copy of such criteria generally applied by the franchisor in qualifying franchisees;

(b) The franchisor may request from a designated family member such personal and financial data as is reasonably necessary to determine whether the existing franchise agreement should be honored. The designated family member shall supply the personal and financial data promptly upon the request;

(c) If the designated family member does not meet the reasonable criteria generally applied by the franchisor in qualifying franchisees, the discontinuance of the current franchise agreement shall take effect not less than ninety days after the date the franchisor serves the required notice on the designated family member pursuant to subsection 4 of section 407.822;

(d) The provisions of this subdivision shall not preclude a franchisee from designating any person as the person's successor by written instrument filed with the franchisor, and if such an instrument is filed, it alone shall determine the succession rights to the management and operation of the franchise; and

(e) For determining whether good cause exists, the administrative hearing commission shall take into consideration the existing circumstances, including, but not limited to, the following factors:

a. Whether the franchise agreement specifically permits the franchisor to approve or disapprove any successor;

b. Whether the proposed successor fails to satisfy any standards of the franchisor which are in fact normally relied upon by the franchisor prior to the successor entering into a franchise, and which relate to the proposed management or ownership of the franchise operation or to the qualification, capitalization, integrity or character of the proposed successor and which are reasonable;

c. Injury to the public welfare;

d. The harm to the franchisor;

(15) To coerce, threaten, intimidate or require a franchisee under any condition affecting or related to a franchise agreement, or to waive, limit or disclaim a right that the franchisee may have pursuant to the provisions of sections 407.810 to 407.835. Any contracts or agreements which contain such provisions shall be deemed against the public policy of the state of Missouri and are void and unenforceable. Nothing in this section shall prohibit voluntary settlement agreements;

(16) To initiate any act enumerated in this subsection on grounds that it has advised a franchisee of its intention to discontinue representation at the time of a franchisee change or require any franchisee to enter into a site control agreement as a condition to initiating any act enumerated in this subsection. Such condition shall not be construed to nullify an existing site

control agreement for a franchisee's property[.];

(17) To fail to compensate any franchisee for parts used to rectify the franchisor's product or warranty defects or parts used in the delivery and preparation obligations. For purposes of this section, compensation for parts shall be not less than the average amount charged by the franchisee for such part to retail customers for nonwarranty repairs over the last ninety days prior to filing the claim. Compensation not paid within thirty days of receipt or notice of claim to the franchisor shall be presumed untimely;

(18) To perform an audit for warranty service compensation or for sales incentive, service incentive, rebates or other forms of incentive based compensation for any period other than the twelve-month period immediately following the date of the payment of the claim by the franchisor;

(19) To deny a franchisee's claim for parts and labor covered under warranty, sales incentives, service incentives, rebates or other forms of incentive based compensation, reduce the amount to be paid to the franchisee, or charge an amount back to a franchisee subsequent to the payment of the claim unless it can be shown that the claim was false or fraudulent or that the franchisee failed to reasonably substantiate the claim in accordance with the franchisor's written procedures;

(20) To require, coerce, or attempt to coerce any franchisee in this state to refrain from participation in the management of, investment in, or the acquisition of any other line of new motor vehicle or related products; provided, however, that this subdivision does not apply if the franchisee fails to maintain a reasonable line of credit for each make or line of new motor vehicle, and the franchisee fails to remain in compliance with any reasonable capital standards and facilities requirements of the franchisor. The reasonable facilities requirements shall not include any requirement that a franchisee establish or maintain exclusive facilities, personnel, or display space.

2. The provisions of subdivision (13), paragraphs (a) to (f) of this section shall not apply to recreational motor vehicles, as defined in subdivision (44) of section 301.010, RSMo, or recreational motor vehicle franchisors or franchisees.

407.923. 1. As used in this section, the term "factory" shall mean a person who manufactures vehicles, a person who distributes new motor vehicles to new motor vehicle dealers, a franchisor, their affiliates, representatives, subsidiaries including both wholly or partially owned, their agents, a person controlled by or under common control with the person who manufactures or distributes vehicle products. All other terms used in this section shall have the same meaning as designated in section 407.815.

2. Unless prescribed by law, no factory shall, directly or indirectly:

(1) Sell or offer for sale to the public, motor vehicle products or services; or

- (2) Own any ownership interest or have any financial interest in a franchisee or any person who sells motor vehicle products or services to the public; or**
- (3) Operate or control a franchisee or used motor vehicle dealer; or**
- (4) Act in the capacity of a franchisee or used motor vehicle dealer.**

3. Subsection 2 of this section does not prohibit a factory from:

(1) Owning, operating, controlling or acting in the capacity of a franchisee for a period not to exceed twelve months from the date the factory acquires the dealership if:

(a) The person from whom the factory acquired the dealership was a franchised dealer; and

(b) The dealership is for sale by the factory at a reasonable price and on reasonable terms and conditions;

(2) Entering into a bona fide relationship with an economically disadvantaged person who has made a bona fide, unencumbered initial investment in the franchise of at least fifteen percent of the total sales price and which is subject to loss. Such sales price shall be fair market value based on an independent appraisal. The economically disadvantaged person can reasonably expect to acquire full ownership of the franchisee within a reasonable period of time, not to exceed ten years, and on reasonable terms and conditions. The fifteen percent initial investment and ten year acquisition period may be expanded for good cause shown. It shall be presumed unreasonable for the terms and conditions not to require the economically disadvantaged person to buy his or her remaining ownership interest in periodic payments over the acquisition period. It shall be presumed unreasonable to require the economically disadvantaged person to acquire the remaining interests solely from the profits or earnings of the dealership or franchisee. During the acquisition period if the economically disadvantaged person is paid a management fee, such fee shall be based on reasonable business practices considering franchises of similar size and volume of sales and leases of products and services;

(3) A factory may terminate such bona fide relationship before the expiration of ten years only for such grounds, if any, as are specified in writing within the agreement establishing such relationship. If financial performance of such dealership is provided as a factor to be considered prior to termination of such relationship, financial performance shall be determined by using generally accepted accounting principles, comparing the net profits of one or more similarly-situated dealerships for comparison. A similarly-situated dealership shall be considered as one franchised to sell, warrant and service motor vehicles of the same line-make, and which exists within and serves a similar demographic and market area.

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